


Rocket docket no more?

 *Venue transfer decisions change the geographic landscape for patent actions*

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IN SUMMARY

- The Eastern District of Texas has earned a reputation as a speedy jurisdiction with judges reluctant to transfer cases to more convenient venues
- In 2008, though, two appellate decisions clarified the standard for transfer of venue in a way that could alter the distribution of patent suits across US District Courts
- This feature examines those decisions and suggests that other courts could re-emerge as hotbeds for patent litigation

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For years, the Eastern District of Texas was well-known by patent plaintiffs as a speedy jurisdiction with judges that were reluctant to transfer cases to more convenient venues. In late 2008, however, two appellate decisions clarified the standard for transfer of venue in a way that may well alter the distribution of patent suits across United States District Courts. The Courts in those cases, *In re Volkswagen of Am., Inc.*, 545 F.3d 304 (5th Cir. 2008) (*Volkswagen II*), and *In re TS Tech*, 2:07-CV-406 (Fed. Cir. 2008) (*TS Tech*), granted mandamus petitions to overturn denials of transfer from the Eastern District of Texas.

Recently, Eastern District of Texas judges have relied on those decisions in granting motions for transfer under a broader set of circumstances. Resultantly, patent filings for January and February of 2009 seem to indicate that patent plaintiffs no longer consider the Eastern District to be as desirable a venue as it once was. Moreover, it appears that plaintiffs may have begun filing with greater frequency in “old favourite” jurisdictions such as the Central District of California. Other “up and coming” patent jurisdictions, such as the Western District of Wisconsin, have come out against the *Volkswagen II* and *TS Tech* standards and, as a result, may also see an increase in patent filings.

Clarifying the standard: *Volkswagen II* and *TS Tech*

Section 1404(a) of the Judicial Code provides that, “[f]or the convenience of the parties and witnesses, in the interest of justice, a district court may transfer any

civil action to any other district or division where it might have been brought.” 28 U.S.C. § 1404(a) (2009). *Volkswagen II* began as a products liability action based on events occurring outside the Eastern District of Texas. The defendant moved to transfer venue under 1404(a) and the district court denied the motion.

The 5th Circuit Court of Appeals reversed, holding that the lower court had given too much weight to the plaintiff’s choice of venue and had failed to adequately consider several well-established private and public interest factors. See, e.g. *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 241 n. 6, (1981). The private factors included:

- the availability of sources of proof (Availability of Proof Factor)
- the court’s ability to secure witnesses’ attendance
- the expense associated with witness attendance (Cost of Attendance Factor)
- all other factors relevant in conducting an expeditious and inexpensive trial (Expedience Factor).

The public interest factors included:

- administrative issues and congestion of the courts’ dockets (Administrative Difficulties Factor)
- the local interest in having the dispute decided locally (Local Interest Factor)
- the courts’ familiarity with the controlling law
- the potential conflicts of law issues that may arise.

The 5th Circuit emphasised that no single factor was to be given dispositive weight.

The court noted that the Eastern District of Texas had no ties to the case other than the plaintiff's choice of venue and, accordingly, reversed the Eastern District's denial of transfer.

Shortly after the 5th Circuit decided *Volkswagen II*, the Federal Circuit had an opportunity to consider the 5th Circuit's clarified standards in relation to patent disputes. *TS Tech* was a patent case involving vehicle headrests. In evaluating the lower court's denial of the defendant's motion to transfer, the Federal Circuit followed *Volkswagen II*, holding that the Eastern District had again given inordinate weight to the plaintiff's choice of venue and had failed to adequately consider the public and private interest factors enumerated in *Volkswagen II*.

Specifically, the Federal Circuit found that the Eastern District had erred in finding that the Access to Proof Factor did not support transfer as all of the physical and documentary evidence was stored near to the transferee venue. Under the Cost of Attendance Factor, the court restated a "100-mile rule," which provides that, where the distance between the existing and transferee venues is more than 100 miles, inconvenience increases directly with the additional distance travelled.

Finally, the court shed significant light on the proper interpretation of the Local Interest Factor. Prior transfer decisions in the Eastern District of Texas had indicated a strong local interest in deterring patent infringement occurring within the Eastern District of Texas. The Court in *TS Tech*, however, indicated that absent a specific localised connection to the products at issue, the Eastern District had no more local interest than any other venue.

Odom v. Microsoft Corp.

In *Odom v. Microsoft Corp.*, No. 6:08-CV-331 (E.D. Tex. Jan. 30, 2009), the Eastern District of Texas had an opportunity to revisit the issue of 1404(a) transfers in light of *TS Tech* and *Volkswagen II*. In *Odom*, the court suggested that the Availability of Proof Factor turned upon whether evidence was physical or electronic, but went on to grant transfer based upon the Cost of Attendance Factor.

The plaintiff brought suit in the Eastern District against Microsoft for patent infringement. Microsoft moved to transfer the case to Oregon. In considering the Availability of Proof Factor, Judge Love distinguished *TS Tech*, because it involved physical evidence located outside the

Eastern District of Texas. Microsoft's accused product, however, was software which was available for discovery in electronic form. Judge Love reasoned that because Section 1404 allows transfer "for the convenience of the parties", easily-accessed electronic information did not tip the Availability of Proof Factor. Judge Love found that *TS Tech* likewise emphasized the "physical nature of the evidence at issue." *Odom v. Microsoft Corp.*, No. 6:08-CV-331, slip op. at 6. Thus, he considered the Availability of Proof Factor as neutral.

In examining the Cost of Attendance Factor, Judge Love observed that the witnesses for the plaintiff and defendant were all located in the Pacific Northwest. Because retaining the case in Texas would require the witnesses to travel an additional 1700 miles, the court found that the Cost of Attendance Factor weighed strongly in favour of transfer.

This case is significant in that the Eastern District conducted a detailed factor analysis, focusing in particular on the distance that would be travelled by the majority of parties and witnesses in a case. It also suggests a new standard with regard to the Availability of Proof Factor, implying that the location of electronic evidence alone is not sufficiently persuasive to tip this factor in favour of transfer.

Konami Digital Entm't Co., Ltd. v. Harmonix Music Sys., Inc.

In *Konami Digital Entm't Co, Ltd v Harmonix Music Sys, Inc.*, No. 6:08-CV-286 (E.D. Tex. 23 March 2009), the Eastern District further developed the Expedience Factor and clarified the Availability of Proof Factor. In this case, plaintiffs brought suit for infringement of three patents. Shortly after the Federal Circuit issued its decision in *TS Tech*, defendants moved to transfer to the District of Massachusetts.

Following *Odom* on the Availability of Proof Factor, Judge Love held that, while the "geographic location of physical evidence must be taken into account," the purely electronic evidence at issue in *Konami* could be accessed conveniently from any number of locations. Additionally, because the evidence was spread across several jurisdictions, Judge Love found that the Availability of Proof factor was neutral.

Regarding the Expedience Factor, Judge Love found that the defendants' delay of six

months in filing their motion weighed against transfer. Defendants filed their motion on 21 January 2009, less than a month after *TS Tech* was decided. If the Eastern District had understood *TS Tech* to alter the law on transfer, the defendants had delayed only a short period in seeking review under the new standard; instead, however, Judge Love found that the defendants were late in filing their motion. Despite the absence of a set time limit for motions to transfer, he held that the defendant's motion was not made with "reasonable promptness," and a decision to grant it would cause unnecessary difficulty, delay and cost for both parties. He therefore held that the Expedience Factor weighed against transfer.

Consistent with other post-*TS Tech* case law, *Konami* performs a detailed analysis of all factors enumerated in *Volkswagen*, and appears to establish *Odom* as the rule for Availability of Proof. Additionally, it demonstrates that the Eastern District regards *Volkswagen II* and *TS Tech* as clarifying rather than changing the law, and indicates that these decisions do not restart the clock on patent defendants' right to file motions to transfer.

Invitrogen Corp. v. Gen. Elec. Co

In early February, the Eastern District issued rulings on transfer motions in *Invitrogen Corp. v. Gen. Elec. Co.*, No. 6:08-CV-112 (E.D. Tex. Feb. 9, 2009) ("the '112 case") and *Invitrogen Corp. v. Gen. Elec. Co.*, No. 6:08-CV-113 (E.D. Tex. Feb. 9, 2009) ("the '113 case"). In these cases, Invitrogen alleged that GE's products infringed six of its patents. GE argued that these claims had already been litigated by Invitrogen and GE's predecessors in interest in suits brought in the state of Maryland, and therefore sought transfer to the District of Maryland.

Judge Love granted transfer in the '112 case and denied it in the '113 case, relying primarily upon a "Judicial Economy" factor not addressed in *Volkswagen II* and *TS Tech*. Judge Love reasoned that this factor weighed in favour of transfer in the '112 case because three of the six patents at issue were also implicated in the earlier Maryland litigation. With regard to the '113 case, however, he found that Judicial Economy did not militate in favour of transfer because the patents at issue in that case did not bear significant similarities to those at issue in the Maryland cases. Judge Love likewise held that the Local Interest Factor weighed in favour of transfer in the '112 case since

Maryland had an interest in deciding a cases related to earlier litigation in its courts. Accordingly, he again decided that this factor was neutral with regard to the '113 case due to the absence of a Maryland connection to the subject matter of the *Invitrogen* litigation.

While these decisions indicate that the Eastern District is still willing to decide cases based on factors that are not expressly enumerated under *Volkswagen II* and *TS Tech*, they also confirm the widely-held belief that motions to transfer will be granted more freely in cases addressing issues that are somehow tied to prior litigation in another jurisdiction.¹

J2 Global Commc'n v. Protus IP Solutions, Inc.

In *J2 Global Commc'n v. Protus IP Solutions Inc.*, No. 6:08-CV-211 (E.D.Tex. Feb. 20, 2009), Judge Love denied defendants' Motion for Reconsideration of a denial of transfer issued prior to *TS Tech*, indicating that the inconvenience to the plaintiff, who chose the venue, does not come into play in the transfer calculus.

The defendant argued that the court improperly treated J2's choice of venue as a separate factor in the transfer analysis by presuming that the Eastern District was convenient for the plaintiff. In examining the Cost of Attendance Factor, however, Judge Love explained that J2's choice of venue was not a separate factor, but that J2 was aware of the travel burdens that it would face when it elected to file suit in Texas and its decision to do so was therefore evidence that the Eastern District was not inconvenient. The court distinguished *TS Tech*, wherein all of the witnesses were localised around the district to which a defendant sought transfer. In this case, the transferee district was not more convenient for *all* witnesses, so the Cost of Attendance Factor was neutral.

This case illustrates that the Eastern District will likely continue to hold onto cases where witnesses are spread around the country and there does not appear to be convenient location for all the witnesses. Moreover, it indicates that, while a plaintiff's choice of venue should not be accorded inordinate weight, it is still significant in the convenience analysis.

Fifth Generation Computer Corp. v. Int'l Bus. Mach. Corp.

Fifth Generation Computer Corp. v. Int'l Bus. Mach. Corp., No. 9:08-CV-205 (E.D.Tex.

Feb.27, 2009) clarifies the considerations that must be made under the Availability of Proof Factor in light of *Volkswagen II* and *TS Tech*. This case is notable in that Judge Clark finds that the Availability of Proof Factor weighs in favour of transfer despite the fact that the defendant maintained a Texas office.

In this case, plaintiff Fifth Generation Computer Corporation filed suit against IBM for patent infringement. IBM moved to transfer to the Southern District of New York. In evaluating the Availability of Proof Factor, the Judge Clark acknowledged that IBM maintained a Texas facility which was related to the development and administration of the technology at issue. Moreover, two Texas universities were members of a consortium focused upon the same technology. Nevertheless, because the plaintiff failed to specifically identify documents or other evidence that were kept in the Eastern District of Texas and because the accused product had not actually been sold in the state of Texas, Judge Clark held that the Availability of Proof Factor weighed in favour of transfer. In balancing the public and private interest factors, he specifically stated that the Availability of Proof Factor was key to his decision to grant the defendant's motion to transfer.

This case illustrates that the Eastern District of Texas is beginning to require more significant connections to its jurisdiction in order to allow cases to remain there. It demonstrates to plaintiffs that they now have a higher burden to meet with regard to proving their interest in litigating in their chosen venue.

The Next Hot Docket


In the period following *Volkswagen II* and *TS Tech*, the Eastern District has seen a substantial drop in patent cases filings. In 2008, there were 358 patent cases filed; however, in January and February of 2009, there were only 32 cases filed, setting the Eastern District on pace to hear fewer than 200 patent cases this year. Importantly, this trend does not appear symptomatic of the current economic crisis. Nationwide patent case filings for 2009 are roughly on par with 2007 and 2008.²

One beneficiary of the trend away from the Eastern District of Texas may be the Western District of Wisconsin. Recent cases suggest that the Western District will not follow *Volkswagen II* and *TS Tech*, and that the comparative speed of its

docket may be the deciding factor in many motions to transfer. In *Wacoh Co. v. Chrysler LLC*, Nos. 08-CV-456-slc and 08-cv-691-slc (W.D. Wis. Jan. 7, 2009), Judge Crabb granted the defendant's motion to transfer but indicated in dicta that, "[i]n the right case, trial speed alone may be the determinative factor." *Id.* at 4.

In a different decision handed down on the same day, she denied a defendant's motion, explaining that, "[i]n this case, as in nearly every case before this court, plaintiff has an interest not at issue in *TS Tech*: speed." *Ledalite Architectural Prod. v. Pinnacle Architectural Lighting, Inc.*, No. 08-CV-558-SLC (W.D. Wis. Jan. 7, 2009). Because *Volkswagen II* emphasized that no single factor was dispositive and that the plaintiff's choice of venue should not be given inordinate weight, this language may demonstrate that the Western District of Wisconsin will split with the 5th Circuit regarding transfer.

The Central District of California, which the Eastern District of Texas supplanted several years ago as the leading venue for patent case filings, has not clearly addressed its standard for transfer in light of *Volkswagen II* and *TS Tech*. Nevertheless, it has seen a significant jump in the number of patent cases on its docket in 2009. In all of 2008, there were 201 patent cases filed in the Central District. In January and February of 2009 alone, 58 cases were filed. If filings continue at this monthly rate, the Central District is on pace to reach 348 cases in 2009, a 73% increase over last year and a 75% increase over the Eastern District of Texas.

Thus, it appears that recent developments in the case law governing transfer in the Eastern District of Texas have begun to shift the distribution of patent case filings in the United States. In the coming months, the Western District of Wisconsin and the Central District of California may well experience a surge of patent litigation, effectively supplanting the Eastern District as the hotbeds of patent litigation. 

Notes

1. See also *Jackson v. Intel Corp.*, No. 2:08-CV-154 (E.D. Tex. March 19, 2009)(transferring case to jurisdiction in which plaintiff had a history of litigation over the same patent).
2. Nationwide, there were 2,914 patent cases filed in 2007 and 2,757 cases filed in 2008. As of April 2, 2009, there have been 682 cases filed. If filings continue at this rate, there will be roughly 2,730 cases filed in 2009.